DHL Ends Domestic Service in the US

Deutsche Post World Net (DPWN) is pulling DHL Express out of domestic air and ground operations in the United States on January 30, 2009. The move, involving the loss of 9,500 jobs, is designed to reduce annual operating costs from USD 5.4 billion to less than USD 1 billion.

This latest restructuring is expected to require spending of USD 1.9 billion, bringing total US restructuring costs, including measures announced in May (Market Flash No 374), to USD 3.9 billion over two years, most of which will be booked in 2008.

The DHL Express business in the US is now expected to report losses of USD 1.5 billion in 2008 before one-off costs.

DPWN is preparing for the more challenging economic environment by stepping up its ‘Roadmap to Value’ programme and focusing strongly on cost reduction. It now aims to reduce non-operating spending across the business by EUR 1 billion by the end of 2010.

The company says it is on track to achieve the EUR 500 million in profit improvement and cost reduction targeted for 2008; it plans to cut net working capital by EUR 700 million by the end of 2009.
(DHL Ends Domestic Service in the US continued)

Announcing its results for the first nine months, DPWN reported a 2.3 percent gain in revenue from continuing operations to EUR 40.5 billion. EBIT gained 27 percent to EUR 2.1 billion, owing mainly to EUR 572 million repaid by the German Government following an EU decision on subsidies. Excluding that gain and other non-recurring effects, underlying EBIT rose 1.3 percent in the first nine months. Net income rose 29 percent to EUR 1.47 billion.

DPWN reiterated its 2008 underlying operating profit (EBIT) target of EUR 2.4 billion. It also expects underlying EBIT to grow in 2009, however, the management board will wait until economic prospects have become sufficiently clear before giving a specific outlook. The group expects to see a full year reported net loss for 2008.

Americas

US Postal Service Suffers Financial Loss

The United States Postal Service has a net loss of USD 2.8 billion in its fiscal year to September 30, 2008 due to an economic slowdown and additional costs required under the Postal Act of 2006.

The Postal Service said it experienced the loss despite cost savings of more than USD 2 billion, including the achievement of fifty million fewer work hours than the previous year.

Mail volume declined by 4.5 percent to 202.7 billion pieces, a loss of 9.5 billion pieces. Total revenue was USD 75 billion, the same as the previous year, but expenses were USD 77.8 billion. This included a USD 5.6 billion payment required by the Postal Act to pre-fund pensioner health benefits.

The Postal Service said it expected another difficult year in FY 2009. Postmaster General John Potter promised to continue reducing work hours and providing excellent service to customers. In Quarter IV, overnight First-Class Mail achieved a 97 percent on-time performance.

The pre-funding of Postal Service pensioner health benefits is continuing to have a significant financial impact. Board chairman Alan Kessler announced on November 14 that his board would work with members of Congress to ease some of the financial pressure created by the Postal Act.

The Postal Service was forced to refute media reports that it would soon lay off 40,000 employees. It said in a statement: “Efforts to match our workforce to a reduced workload are focused on voluntary early retirements.”
USPS to Raise Prices

Prices for US postal shipping (parcels and express) services will change on January 18 in the first separate rate change from mail services.

Prices will rise by an average of five percent on Express Mail, Priority Mail, Parcel Select, Parcel Return Service and some international shipping products.

New features of the pricing structure will include ‘Commercial Plus’ for high volume express and priority mail customers offering discounts of an average of 14.5 percent on list prices. High volume users of Priority Mail will qualify for discounts averaging seven percent.

USPS Wins IT Awards

The United States Postal Service won ten excellence awards in fiscal year 2008 for its use of technology, including an entry in Computerworld’s “100 Best Places to Work in IT” list for the fifth year in a row.

The Postal Service IT department earned a Computerworld Best Practices in Business Intelligence Award for its implementation of the Carrier Optimal Routing (COR) system.

COR uses advanced models of mail delivery routes to provide more accurate route maps and lines of travel for letter carriers. The system has resulted in reduced transportation costs as well as improved safety through more compact, contiguous routes since its implementation earlier this year.

ABX Air to Reduce by 75%

ABX Air has announced plans to downsize to about 25 percent of its present size when DHL Express pulls out of the US domestic market.

The company expects to lose up to 7,000 employees as it restructures into a cargo aircraft leasing company. It will exercise a contractual right to sell DHL its ageing DC-9 freighters. It has already in October sold fourteen DC-9s to DHL for USD 3.7 million and expects to sell up to forty more.

UPS Expands Specialist Healthcare Service

United Parcel Service (UPS) is expanding its service for healthcare customers to Puerto Rico with a new centre due to open in the first quarter of 2009.

UPS will offer storage of medical devices and perishable pharmaceutical and biotech products. The distribution centre, in San Juan, will use the same validated technology platform as UPS centres in the United States and Canada.

UPS and HP Develop Mobile WiFi Printer

United Parcel Service (UPS) and HP have developed a hand-held wireless device that prints sorting information directly on to parcels. The mobile system replaces a fixed label printing process that required parcels to be moved to the unit.

The HP device is being used in conjunction with the UPS Package Flow Technology (PFT) system for route planning.

As a package enters a centre for sorting, a UPS employee uses the HP device to scan the shipping label. The device obtains the proper sorting information from a UPS database via a WiFi network inside the facility, and then prints the instructions directly onto the package using a specially formulated, fast-drying HP ink.
FedEx Sets Environmental Goals

FedEx Corp has announced new goals to reduce CO₂ emissions from its aircraft fleet by twenty percent and to improve by twenty percent the fuel efficiency of its express vehicle fleet.

The plan is outlined in the FedEx 2008 Global Citizenship Report which covers its long-term financial performance goals, carbon footprint reduction linked to efficiency, community and disaster relief, employees and corporate governance.

Employees Offered Epost Pay Slips

Canada Post is to offer more than 22,000 employees of Best Buy Canada an option to receive their payroll notices electronically through its epost and SmartFlow services.

Epost is an encrypted service enabling Canadian companies to deliver critical documents online and offering online storage for up to seven years. SmartFlow Document Management Services helps companies to manage their business processes and customer communications more efficiently.

Postal Union on Strike in Canada

Canada's Union of Postal Communications Employees (UPCE) filed for strike action following the breakdown of talks with Canada Post.

Canada Post said in a statement issued on November 17 that mail delivery would not be affected by the action. UPCE represents 2,100 employees mainly in administrative and technical positions.

The union rejected an offer of a four-year contract with a 2.25 percent wage increase in the first two years and 2.5 percent in the second two years. In addition, the offer included job security, a cost of living clause, income protection for short term disability and seven weeks' holiday after 28 years' service.
Austrian Post Warns of Office Closures

Österreichische Post has unveiled plans to close post offices in order to realign its costs before full postal liberalisation in 2011.

Chief executive officer, Anton Wais called for a clear political decision on the universal service in a liberalised market. Speaking at the presentation of the company’s Quarter III results, Mr Wais said that up to two-thirds of the existing network of 1,300 post offices could be replaced by external partnerships.

Fears of job losses prompted strike threats from postal unions and a promise by the infrastructure minister, Werner Faymann, that he would ban any post office closure in the first half of 2009.

On November 12, the day before the post office closure warning, Österreichische Post presented a strategy paper to its supervisory board. This, said the part privatised company, proposes a change in corporate structure in order to continue a national postal service; safeguard a cornerstone of the country’s information infrastructure and preserve shareholder value.

The supervisory board will give its view on the strategy paper on December 11. Österreichische Post said it “assumed” the government and parliament would move quickly to bring forward clear, fair regulations for all providers of postal services.

Revenue Up but Profit Down for Austria Post

Österreichische Post saw its overall revenue rise seven percent in the first three quarters of 2008 to EUR 1.78 billion. The growth is attributed to both consolidation of acquisitions (EUR 102.8 million) and organic growth (EUR 14.5 million).

Earnings before interest and tax (EBIT) were lower than the previous year at EUR 103 million compared with EUR 118.3 million. The company said the decline resulted primarily from exceptional items and effects such as high fuel prices and social compensation plus losses from integration of new subsidiaries.

Mail business revenue rose by nearly eight percent thanks largely to growth in direct mail. EBIT from the mail division was EUR 190.5 million. Parcels and logistics revenues grew by about eight percent to EUR 575.2 million. EBIT was EUR 6.7 million.

Österreichische Post said it had not experienced any significant impact from the current financial crisis. It added, however, that the uncertain business environment makes forecasting increasingly difficult. The company currently has no large acquisition targets and expects investment in property, plant and equipment to total EUR 100 to 110 million.
TNT Opposes Work Conditions Accord

TNT Post has issued a statement saying it cannot accept an agreement on employment conditions in the Netherlands reached by competitors Sandd, Deutsche Post and a number of trade unions.

Neither TNT Post nor its subsidiary Netwerk VSP was involved in the negotiations. TNT Post said the agreement offered “an insufficient basis for solid terms and conditions of employment” and was no different from an agreement in principle in April that was thrown out by the minister for foreign trade, Frank Heemskerk.

Bernard de Vries, Works Council chairman for the operations business unit of TNT Post, said: “We want to make sure that our delivery staff receive a salary they can live on. Employees working for the competition don’t even get paid minimum wage, even if they want to. With this agreement the situation will not change.”

Mr De Vries said there was “absolutely no reason” for the Dutch government to accept the agreement.

TNT Finalists Compete for CO₂ Efficiency Title

TNT held a ‘Best Pick Up and Delivery Driver of the Year’ competition for winners of eleven local ‘Drive Me Challenges’ as part of its campaign to encourage all TNT drivers, employed and subcontracted, to drive more fuel-efficiently.

Research by the company indicated that a single pick up and delivery driver can reduce CO₂ emissions by up to 25 percent, therefore cutting costs as well as helping the environment.

The ‘Drive Me Challenge’ is a global competition designed to increase engagement and awareness among employees and subcontractors. The finalists took part in TNT’s delivery driver of the year competition at the Vairano race track near Milan.

Contestants participated in a race, combining speed, safety and fuel efficiency while picking up and delivering packages on time around the circuit. The score combines fuel usage, the total amount of time plus possible penalty points for speeding and bad driving habits. The winner is the team with the lowest total score.

The Drive Me Challenge is part of TNT’s global Planet Me carbon reduction programme.

Swiss Post Customers Highly Satisfied

A survey of 15,400 Swiss Post customers produced a score for delivery quality of 91 out of 100, while the professional conduct of post men and women scored 93.

Welcoming the results, Swiss Post said the overall level of customer satisfaction had risen from 85 in 2004 to 91 in 2008. There remains room for improvement, however, said Swiss Post: the score of 87 for mis-delivered or damaged items was below the index value.

Swiss Post has been conducting a team-building programme among post men and women by creating groups that work together, taking it in turn to deliver on their different routes. This team approach provides an antidote to the lone and sometimes isolated postal delivery worker.
Royal Mail Spots Business Growth

Royal Mail is operating a “Business Barometer” using its Business Changes File to indicate where business is growing in the United Kingdom and where the current economic difficulties are having an adverse effect.

It calculates a percentage growth figure for each urban area by working out the total number of businesses opening as a proportion of the overall number of businesses. Its latest assessment has named Sunderland the winner with a 2.6 percent growth increase between March and August 2008.

DHL Awards Recognise Innovation

The DHL Innovation Centre has granted its first awards to customers, employees and research scientists working to bring innovation to the logistics business.

Independent judges chose DHL customers Metro AG and Allianz for awards. Metro introduced Radio Frequency Identification (RFID) to 1.3 million pallets a year in France to monitor their progress through the logistics chain.

DHL and Metro are using the system to undertake the biggest RFID deployment in French commercial logistics.

Allianz has been climate neutral on all its mail and advertising letters since July 2008.

Employees from the United States and Singapore won innovation awards for systems to transmit shipment orders electronically and shipment information via interactive voice response; an employee from Germany created a robot to unload pallets faster.

Research scientists received awards for developing mathematical models to capture and determine optimal inventory placement in supply chains and a wind propulsion system for ships that is based on large towing kites.

“The logistics industry needs efficient and intelligent solutions in order to master future challenges,” said John Allen group chief financial officer and management board member.

New Licence Proposed for PAF in the UK

Royal Mail is proposing to introduce a new licence to use PAF (Postcode Address File) that will be more clear and fair.

PAF was designed almost 50 years ago to help post men and women route and deliver mail. Today it is at the heart of a wide range of systems across many industries. Applications include order processing, calculation of insurance premiums and satellite navigation.

Formal consultations are continuing until December 24. A new licence and tariff will be published in April 2009 and will come into effect from September 2009.
Postal Users Honour EU Commissioner

The European Postal Users Group (PUG) has given European Union Internal Market Commissioner Charlie McCreevy and MEP Markus Ferber its first annual PUG award.

The citation said the award was for continuous support and dedication to high quality standards and competitiveness in the European postal services market.

Accepting the award, Mr McCreevy warned that the battle to shape a sustainable future for the postal sector was not yet won on account of under-investment, protectionism and market foreclosure.

More Online Traders Choose PostFinance

Swiss Post reports that the e-trading platform for buying and selling shares, bonds and derivatives operated by PostFinance is seeing business growth on the back of the global financial crisis.

“Many customers have taken it upon themselves to invest their assets independently,” it said. Since the beginning of the year, the service has attracted 8,000 new customers, 2,500 in October alone.

In total, about 30,000 individuals are using the platform. To boost business further, PostFinance is offering new customers five free transactions if they register before December 14.

Swiss Postal Unions Agree on Pay Increase

Postal unions have reached an agreement with Swiss Post for a 3.1 percent pay increase plus merit awards totalling 0.8 percent of the total salary bill.

The agreement applies to 40,200 Swiss Post employees subject to the collective employment contract. Negotiations for PostLogistics and other non-mail divisions have not yet been concluded.

DHL's German Parcels are Cheaper Online

In Germany, DHL has added an online customs declaration facility to its online franking option so that customers can prepare parcels for global despatch from their home PC.

Shipments created online are EUR 1 cheaper than those made in Deutsche Post retail outlets.
DPWN Announces Key Appointments

Deutsche Post World Net has appointed Christof Ehrhart as head of corporate communications. He will join on March 1, 2009 to succeed Manfred Harnischfeger who will retire on June 30. Mr Ehrhart is currently head of global corporate communications for aerospace group EADS. He will report directly to chief executive officer Frank Appel.

Jens Bruno has been appointed as the environmental programs manager for DHL Express Europe. He will be responsible for driving the GoGreen climate protection programme across DHL Express Europe with the aim to increase CO₂ emission efficiency by thirty percent by the year 2020.

UPS Buys Zero-Emission Electric Vans

United Parcel Service (UPS) is to purchase twelve electric vans developed by British manufacturer Modec following a successful nine-month trial.

Six of the vehicles will go into service in London where a Low Emission Zone will come into force in February 2009. The remaining six will operate in Germany.

During trials in London, a test zero-emission vehicle averaged eighteen miles a day with battery consumption of 25 percent of full charge. The company said each vehicle can journey 100 miles on one overnight charge.

DPD UK Wins Environment Award

Parcels operator DPD UK has won an environmental award from the Chartered Institute of Logistics and Transport for its efforts to reduce CO₂ emissions and increase recycling.

The company claims to have been the first in the parcels sector to invest in high volume double-deck vehicles. With its sister franchise organisation, Interlink, DPD UK offers text notification of delivery with an option for receivers to change their delivery time. This results in more first time deliveries and fewer vehicle journeys.

City Link Affected by Downturn in UK

Loss-making British parcels operator City Link is seeing its financial results affected by economic downturn.

In the three months prior to September 30, revenue dropped 13.2 percent year-on-year to GBP 93.4 million (at constant exchange rates). The Quarter saw an operating loss of GBP 12 million compared with a profit the same time last year of GBP 11.4 million. Volumes were down by ten percent.

The company is subject to a restructuring programme established at the beginning of the year by its parent, Rentokil Initial. This has already cut about 1,000 jobs and reduced the fleet by ten percent.
FedEx Opens Energy Efficient Centre

FedEx Express has a new 2,500 sq metre, energy-efficient distribution centre in Antwerp to increase capacity in response to customer demand in the region.

The centre was developed with a range of energy saving measures including an air-water heat pump that provides reductions in energy consumption of more than forty percent and CO₂ emissions by sixty percent. It also features a sophisticated ventilation and building automation system, allowing each room to be lit and heated separately.

Dubai Goes Paper-Free

Dubai is the first city in the Middle East to launch the International Air Transport Association (IATA) e-freight initiative to deliver paper-free air cargo.

Airline Emirates said the initiative is operational on trade lanes between Dubai and Singapore, Hong Kong and London.

Emirates said the Dubai implementation team, led by Emirates and Dubai Customs, delivered IATA e-freight on schedule in a coordinated exercise that involved Dnata, Singapore Airlines, Cathay Pacific, British Airways, Schenker, DHL Global Forwarding, Kuehne and Nagel, Modern Freight Company, Freightworks and IATA.

>>In Brief - Europe

Russian Post Moves Out of Loss
Russian Post is set to end the year with a small net profit in 2008 of RUB 400 million, following a three-year modernisation and cost savings programme. The priority now is to develop the company’s IT infrastructure and to automate and integrate production processes.

UPS Increases Capacity in Southern Italy
UPS has extended its network in Italy. With its agent, Raffele Inizio Autotrasporti, it has opened a centre at Arzano, north of Naples. The centre increases package sorting capacity from 1,000 to 4,000 an hour, with the option of expanding to 8,000 packages an hour.

DPD 13:00 Adds 130 Destinations in Russia
DPD Russia has extended the geographical coverage of its recently launched time-definite delivery service DPD 13:00 to all branches, adding 130 new destinations within Russia.

DHL Upgrades in Turkey
DHL Express has invested EUR 4 million in a new gateway at Istanbul Airport (IST) to increase the speed and efficiency of its operations in Turkey.

Faster Links between East and West
DHL Express says it has sped up document deliveries between Europe and its Eastern Europe, Middle East and Africa (EEMEA) region and now aims to offer faster transit times for goods between the two regions as well.

Tourline Express Invests in Barcelona
Tourline Express, the Spanish express operator in the CTT Group, has invested EUR 400,000 in its Barcelona sorting centre in order to increase capacity to 4,000 items an hour.

Bartolini Opens New Depots
Italian express delivery company Bartolini has opened new depots at Pordenone, north-east of Venice, Siracusa in Sicily and Gravellona Toce, north-west of Milan.
Asia-Pacific

Australia Post Wins Diversity Award

Australia Post’s work to offer employment and development opportunities to indigenous people has been recognised by the Diversity at Work Awards in Melbourne.

Group manager human resources, Rod McDonald said the award took on extra significance with this year seeing the 4000th indigenous employee hired since the corporation implemented its indigenous employment strategy.

Australia Post has an indigenous employment consultant in every state and will offer one hundred new traineeships across the country during the next year.

New Zealand Post Offers Online Redirection

New Zealand Post has launched an online redirection service for households to complement the service offered from PostShops.

Customers need a driver’s licence to access the online service and a credit card to pay the NZD 20 redirection fee.

Nippon Sees Profits Dip

Nippon Express Co suffered a 6.1 percent decline in half year operating profits to JPY 18.9 billion with net profit decreasing 15.8 percent to JPY 10.8 billion.

Sales rose three percent over last year during the Quarter to JPY 951.9 billion owing to increased demand for cargo services.

For the full year to March 2009, Nippon expects sales of JPY 1.94 trillion, an increase of 0.5 percent, and a net profit 9.2 percent lower than its July forecast at JPY 25.6 billion.

FedEx Delays Opening its Asia Hub

FedEx Express is delaying the opening of its USD 150 million Asia-Pacific hub at Guangzhou in southern China by several months. Due originally to open in December 2008, FedEx has now announced that the hub will open in the first half of 2009.

The company said the delayed operational date would provide the time needed to test fully all systems and processes as well as to work closely with the Guangzhou authorities to ensure that all necessary approvals are in place.

DHL Expands Japanese Retail Network

DHL has opened 57 new retail express centres in Japan through a partnership with Mail Boxes Etc Japan, a franchised operation in the UPS-owned office services chain.

The new outlets in major cities bring the number of DHL drop-off centres in Japan to 134.
Blue Dart’s Quarter Profits Fall

DHL’s express subsidiary in India, Blue Dart Express, suffered a twenty percent decline in net profits in the third quarter of 2008 despite a 26.8 percent increase in revenue to INR 2.63 billion.

Operating profits dropped by 24.8 percent to INR 197.1 million while operating costs rose by 35 percent. The company has high fixed costs and suffered from a slowdown in volume growth.

DHL Funds Health Care in India

DHL has formed a partnership with UNICEF and the Government of India to support efforts to reduce malnutrition and infant mortality in the Nandurbar District of Maharashtra.

It will fund a three-year UNICEF project to empower communities to improve child survival rates in 1,000 villages, providing a USD 650,000 grant to strengthen health infrastructure.

DHL Opens Two Express Centres

DHL has opened two new express centres in Vietnam, both located in coastal port cities, as part of the USD 14 million investment programme for its network in the country. The first facility to open is located in Hai Phong; the second in Vung Tau.

Routes Open between China and Taiwan

China and Taiwan will establish direct flights across the Taiwan Strait and have agreed on shipping and postal links following the highest-level talks between the two sides on the island in almost sixty years.
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